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Ready to Launch

Developers line up projects to capture pent up demand

Insights & Recommendations

Colliers expects recovery in residential take up in 2022 on the back of a rebound in office leasing; macroeconomic recovery; sustained remittances from Filipinos working abroad; competitive mortgage rates; and a pickup in business and consumer sentiment. An accelerated vaccination program across the Philippines should support these factors and encourage more businesses to reopen and expand.

In our view, the projected recovery in residential completion in 2021 partly indicates a rebound of the secondary residential market in Metro Manila.

Aside from lining up more launches to maximize pent up demand, developers should be aggressive in utilizing online platforms and improving amenities by incorporating co-working spaces to cater to the market's discerning preferences.

		Q2 2021	Full Year 2021	2021-25 Annual Average
Demand	Covid continues to stifle residential take-up in both the pre-selling and secondary markets. Colliers expects demand to gradually recover in the next 12 months on the back of an economic recovery fueled by the government's vaccination efforts.	690 units	5,500 units	6,370 units
Supply	Colliers saw the completion of 2,235 units in Q2 2021. By the end of 2021, we project 10,061 additional units across Metro Manila, with bulk of new stock likely to come from the Bay Area and Fort Bonifacio.	2,240 units	10,060 units	7,560 units

		QOQ / End Q2	YOY / End 2021	Annual Average Growth 2020–25 /End 2025
Rent	Average rents in the secondary market further declined by 1.7% in Q2 2021 as take-up continues to slump across all submarkets. Colliers anticipates a slow rental recovery starting 2022 which should be supported by a rebound in office leasing.	-1.7% PHP690	-4.6% PHP680	+0.8% PHP740
Vacancy	Vacancy reached 17.1% in Q2 2021, up from 16.3% in Q1 2021. As we see substantial delivery of new condo units, we expect vacancy to increase further towards the end of 2021 before a slow rebound in 2022.	+0.8pp 17.1%	+2.1pp 17.6%	-0.6pp 15.6%
Capital Values	In Q2 2021, prices dropped further by 3.2%. The drop in prices was primarily attributable to an anemic demand for units in the secondary market. Colliers expects gradual recovery of prices by 2022.	-3.2% PHP190,160	-7.4% PHP186,540	+0.1% PHP201,690

Source: Colliers

Note: USD1 to PHP48 as of the end of Q1 2021. Demand represents net take-up in the secondary market (in units). Rent and capital values are per sq metre and represent Prime and Grade A projects in selected submarkets.

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Recommendations

Line up projects in time for market recovery

Colliers encourages developers to start lining up projects in anticipation of a market rebound in 2022. In Q2 2021, projects within the mid-income to upscale[1] price segments accounted for 95% of total take-up and we expect developers to continue launching more projects from these price segments. Colliers is already seeing more aggressive completions of residential units across Metro Manila, and we project a ramped-up launch of new projects beyond 2021. Colliers is starting to see the green shoots of recovery led by an improvement in Covid vaccination; the government-forecasted economic rebound in 2021; continued construction of key infrastructure projects within and outside Metro Manila, as well as some completed infrastructure projects; sustained remittances from Filipinos working abroad; and our projected pick up in office leasing in 2022. Developers should be proactive in lining up marketing efforts to capture pent up demand beyond 2021.

Maximize the use of online platforms

Colliers encourages developers to maximize their presence on social media and other online platforms to inform potential buyers and investors of their upcoming projects and their schedules. An increased online presence should also help investors stay updated of the recent developments of their properties. With mobility restrictions imposed for Covid, developers ought to organize virtual showrooms and expositions showcasing their property offerings and the investment opportunities available. Aside from virtual expositions, we also recommend developers make transactions more convenient and accessible by offering an online option for payments and other relevant processes.

Improve the amenities in upcoming projects

We believe that condominiums remain an attractive investment option for homebuyers. Colliers expects the completion of about 10,000 units in 2021.

Note: [1]Mid-income to Upscale= PHP3.2 million to PHP7.9 million (USD67K to USD165K)

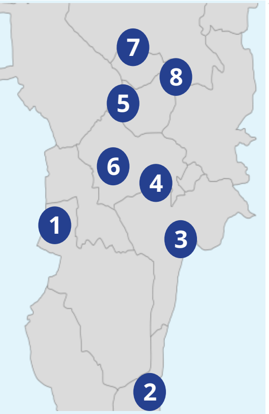
In order to increase competitiveness in the market and make properties more attractive to buyers, some developers have been incorporating features such as built-in fiber optic internet connection, videoconferencing and co-working areas, designated smart storage facilities for contactless parcel deliveries, and open recreational spaces which are suitable for gardening and wellness activities. In our view, developers should continue upgrading amenities to satisfy the discerning preferences of buyers.

Condominium completions to grow 198%

In Q2 2021, around 2,200 units were delivered in Metro Manila. With the completion of Bayshore Residential Resort Cluster A, Bayshore Residential Resort Cluster B, Kingsford Hotel, Palm Coast Villas Misibis, and S Residences – Building 1, 82% of the new units are in the Bay Area, while East Gallery Place in Fort Bonifacio accounted for the remaining 18%. Colliers expects the completion of 10,061 units in 2021, up 198% from the 3,370 units completed in 2020. We anticipate the delivery of about 7,500 units per annum from 2021-2025, with about 73% of upcoming supply still likely to be in the Bay Area and Fort Bonifacio.

Metro Manila residential stock forecast, end of 2020 and 2023 (units)

		End of 2020	End of 2023	% Change
1	Bay Area	22,750	37,720	65.8%
2	Alabang	4,880	5,910	21.1%
3	Fort Bonifacio	39,100	43,060	10.1%
4	Rockwell Center	5,270	5,830	10.6%
5	Ortigas Center	18,730	21,560	15.1%
6	Makati CBD	28,550	29,600	3.7%
7	Araneta Center	4,550	5,140	13.0%
8	Eastwood City	9,630	9,630	0.0%
	Total	**133,460**	**158,450**	**18.7%**



Note: Google Maps estimated private vehicle travel time to Makati: Bay Area-17 min, Alabang-24 min, Fort Bonifacio-14 min, Rockwell Center-9 min, Ortigas Center-15 min, Araneta Center-23 min, Eastwood City-29 min.

Source: Colliers

Recovery in vacancy

Vacancy in Metro Manila's secondary residential market increased further to 17.1% in Q2 2021, up from the 16.3% recorded in Q1 2021. Vacancy increased across all submarkets. The Bay Area recorded the highest vacancy of 23.8% partly due to the amount of new supply. Slower take up from offshore gaming firms due to Covid-induced travel restrictions contributed to the subdued demand for residential units across the Bay Area.

Colliers has also observed a decline in take-up across all business districts due to the continued slowdown in office space absorption. As of Q2 2021, the average office vacancy rate in Metro Manila reached 12.7% from 11% in Q1 2021.

Overall, dampened demand is likely to continue until the end of 2021 with our forecasted vacancy rate of 17.6%, Colliers expects take-up to gradually pick up starting H2 2022 due to our projected recovery in office leasing complemented by other recovery enablers. Cash remittances from Overseas Filipino Workers (OFWs) reached USD11 billion (PHP528 billion) from January to April 2021, up 5.1% YOY[2]. OFW remittances are among the primary drivers of residential demand in the country, particularly projects that are within the affordable to mid-income price segments[3]. The Bangko Sentral ng Pilipinas (BSP), or central bank, is also likely to keep interest rates steady at 2.0% which should help entice more investors and end-users[4]. Overall, we see recovery being anchored by a government-projected economic rebound in 2021 and 2022.

We also see the ramped-up vaccination program buoying residential demand as this is likely to spur an accelerated reopening of businesses and absorption of office space. The inoculation efforts should contribute to a recovery of investor sentiment as the government aims to achieve herd immunity by Q1 2022[5] which should inject a much-needed boost to the country's residential sector.

Source: [2]Rappler, Remittances hit $11 billion in January-April 2021,beating pre-pandemic level . [3]Affordable to Mid-income = PHP1.7 million to PHP5.9 million (USD35K to USD123K). [4]CNN Philippines, BSP sticks to record-low 2% policy rate as bank lending likely to stay 'subdued'. [5]Philippine Daily Inquirer, Duque: PH's target for COVID-19 herd immunity may extend to January 'at most'

Rents and prices to recover

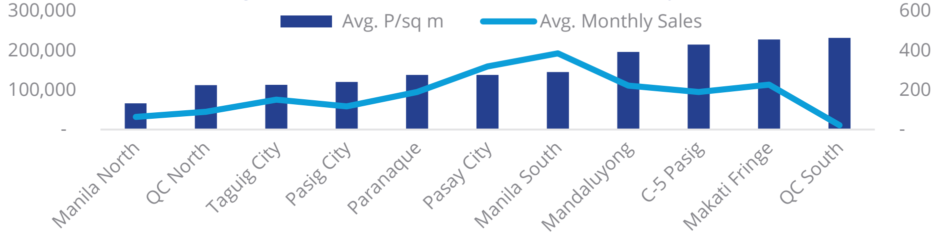
Colliers saw a further correction in prices and rents in Q2 2021, declining by 3.2% and 1.7%, respectively. Due to an anemic demand for residential projects, prices and rents have been consistently declining across all Metro Manila submarkets since Q2 2020 when prices and rents declined by 6.1% and 2.1%, respectively. While we anticipate a continuous drop in prices until the end of the year, gradual increase is likely to begin in 2022 as take-up slowly recovers. Colliers expects a 2% average annual increase in rents and prices from 2022 to 2025.

In an attempt to lift demand in the pre-selling market, we have observed select developers offering discounts and promos to potential buyers. Aside from extended and attractive payment schemes, developers are also ramping up their marketing strategies by offering freebies such as appliances, gift certificates, and vouchers.

We continue to see an uptick in the demand for affordable to mid-income properties[3] near transport hubs. Innovative payment schemes and proximity to infrastructure projects have also lured investors to acquire residential units in the fringes of major business districts (see graph).

On the other hand, demand for mid-income to upscale house and lot (H&L) properties outside the capital region have also been increasing as Filipino families start to prefer larger spaces and gravitate towards less dense communities in key urban areas in northern and southern Luzon.

Metro Manila Average Condominium Prices and Monthly Sales, 2020



Source: Colliers

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